

Orchard View Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2006

Orchard View Schools

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Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Orchard View School District's (the District) Management Discussion and Analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2006.

District Wide Financial Statements

The District wide statements provide a perspective of the District as a whole. The Statement of Net Assets and the Statement of Activities, which appear first in the financial statements, report information on the School District as a whole and its activities to indicate the financial condition of the District. These statements are prepared using the full accrual basis of accounting and include all assets and liabilities, which is similar to private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Fund Financial Statements

Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Community Service Fund, School Service Funds, Fiduciary Funds, Capital Projects Fund, and Debt Retirement Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions, grants, and other intergovernmental revenues. The Community Service Fund is comprised of some general education requirements for Alternative Education and Adult Education, and Preschool. It also comprises of Child Care, Head Start, and other community services which revenue may be provided through grants and self-supporting programs (local revenues). The School Service Fund is used to account for Food Service and Athletics. The Fiduciary Fund accounts for assets held by the District in a trustee capacity or as an agent for various student groups and related activities. The Capital Projects Fund

Orchard View School District
Management's Discussion and Analysis
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accounts for the 2003 building project. The Debt Retirement Fund accounts for the tax revenues received from taxpayers and the payments for the 2003 building project.

Financial Analysis of the District as a Whole

	Summary Comparison of Net Assets	
	<u>2004/05</u>	<u>2005/06</u>
Assets		
Current assets	41,325,963	22,046,619
Non – Current assets	412,035	460,229
Capital assets, net of accumulated depreciation	<u>23,729,893</u>	<u>41,230,063</u>
 Total assets	 <u>65,467,891</u>	 <u>63,736,911</u>
 Liabilities		
Current liabilities	10,394,947	9,522,290
Long-term liabilities		
Due within 1 year	1,364,112	46,627,856
Due in more than one year		
Bonds, capital leases & contract	<u>46,812,050</u>	<u>449,686</u>
Total liabilities	<u>58,571,109</u>	<u>56,599,832</u>
 Net assets		
Total capital assets, net of related debt	3,896,317	2,811,425
Restricted		
Permanent Funds	35,000	35,390
Unrestricted	<u>2,965,465</u>	<u>4,290,264</u>
 Total net assets	 <u>6,896,782</u>	 <u>7,137,079</u>
 Total liabilities and net assets	 <u>65,467,891</u>	 <u>63,736,911</u>

As indicated by the statement above, total net assets are \$7,137,079. Net assets can be separated into three categories: net capital assets net of related debt, restricted assets, and unrestricted assets. Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. Funds available for capital assets total \$10,057,773. The original cost of capital assets is \$50,337,333, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$9,107,270. Total long-term debt related to capital assets is \$48,476,411.

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Management's Discussion and Analysis
For the Year Ended June 30, 2006

The remaining assets of \$4,290,264 are unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

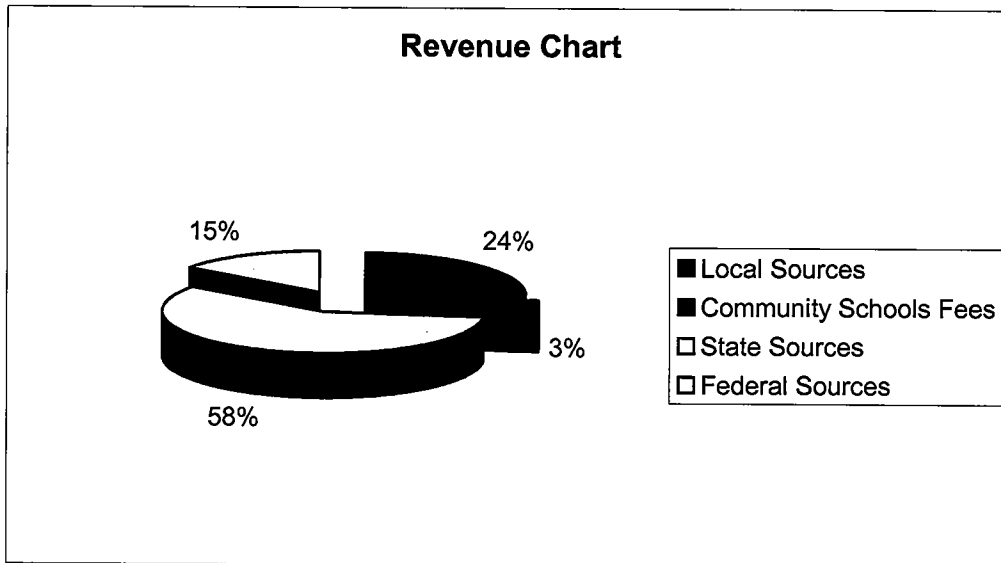
Results of Operations (Comparison)	2004/05 Amounts	2005/06 Amounts	% of Total
Program Revenue			
Charges for services- local and intermediate	1,349,318	1,480,875	4.5%
Operating grants - federal and state	<u>7,328,404</u>	<u>7,872,423</u>	<u>24.1%</u>
Total program revenue	<u>8,677,722</u>	<u>9,353,298</u>	<u>28.6%</u>
General Revenue			
Property taxes, levied for general purposes	2,867,385	3,088,524	9.4%
State of Michigan aid, unrestricted	<u>15,801,615</u>	<u>16,956,703</u>	<u>52.18%</u>
Total foundation allowance	<u>18,669,000</u>	<u>20,045,227</u>	<u>61.58%</u>
Property taxes, levied for debt services	1,872,651	2,029,052	6.2%
Unrestricted Investment Earnings	1,036,908	1,180,641	3.6%
Other	<u>26,592</u>	<u>77,669</u>	<u>0.02%</u>
Total revenues	<u>30,282,873</u>	<u>32,685,887</u>	<u>100.0%</u>
Expenses			
Instruction	14,679,907	15,376,241	47.4%
Support Services	7,782,293	8,309,048	25.6%
Community Services	3,368,137	4,409,243	13.6%
Food Services	877,239	1,015,983	3.1%
Athletics	339,037	611,144	1.9%
Interest on Long-term debt	2,159,544	2,201,856	6.8%
Unallocated depreciation	<u>411,733</u>	<u>522,075</u>	<u>1.6%</u>
Total expenses	<u>29,617,890</u>	<u>32,445,590</u>	<u>100.0%</u>
Special Item - gain on sale of asset	(42,727)	-	
Increase in net assets	<u>622,256</u>	<u>240,297</u>	

As indicated above net assets increased \$240,297.

**Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Revenues

The following chart illustrates the District's sources of revenues by percentage:



- Revenue chart is based on all District Funds combined

Sources of Revenues

Local sources of revenues total \$7,759,044, and include revenues to the General Fund of \$3,220,751, Athletic Fund of \$136,589, Food Service Fund of \$310,107, Community Education of \$16,697, Capital Projects of \$1,072,920, Debt Service of \$2,046,562, and Student Loan of \$390. In addition, Community School fees total \$955,028, and include revenues received by the Community Service Fund for services provided to the community.

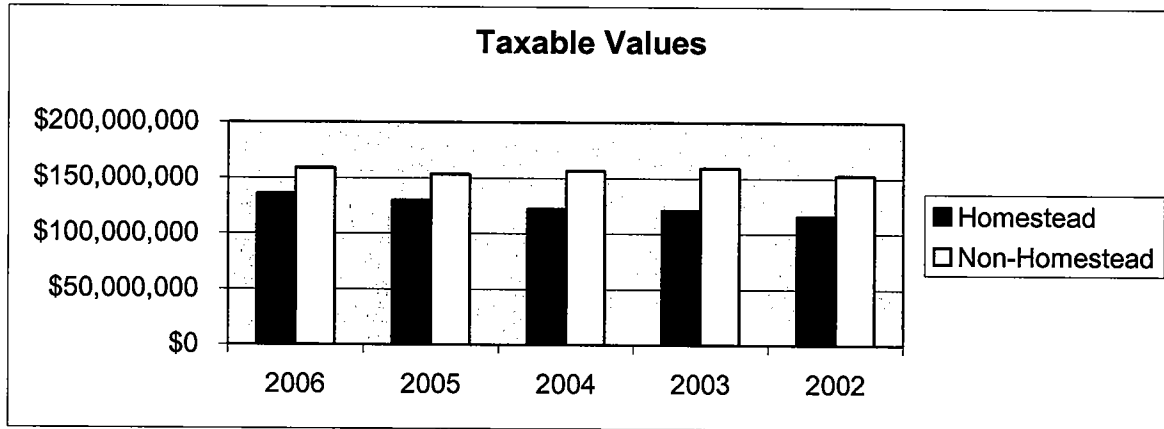
State sources of revenue total \$19,433,857, and include revenues to the General Fund of \$17,648,967, Community Service Fund of \$1,682,512, Food Service Fund of \$73,052, and Debt Service Fund of \$29,326. Included in the state source of revenue is the membership foundation allowance of \$12,614,852. State sources of revenue make up 82% of General Fund revenues. This ties the District directly to the State's overall economy.

Federal sources of revenue total \$5,019,020, and include revenue to the General Fund of \$807,069, Community Service Fund of \$3,553,421 and Food Service Fund of \$658,530.

**Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Property Taxes

A significant portion of local revenues is provided from property taxes for the General Fund. Property tax revenue totaled \$3,088,524. This amount is obtained through a voter approved 18-mill levy on the taxable value of non-homestead properties for the District's operations. However, the Headlee Rollback only allows us to levy 17.7714-mill. Over the last 5 years taxable values have increased each year on average 4.1% and 1.1% for homestead and non-homestead properties, respectively. The following graph illustrates this increase:



Unrestricted State Aid Foundation Allowance

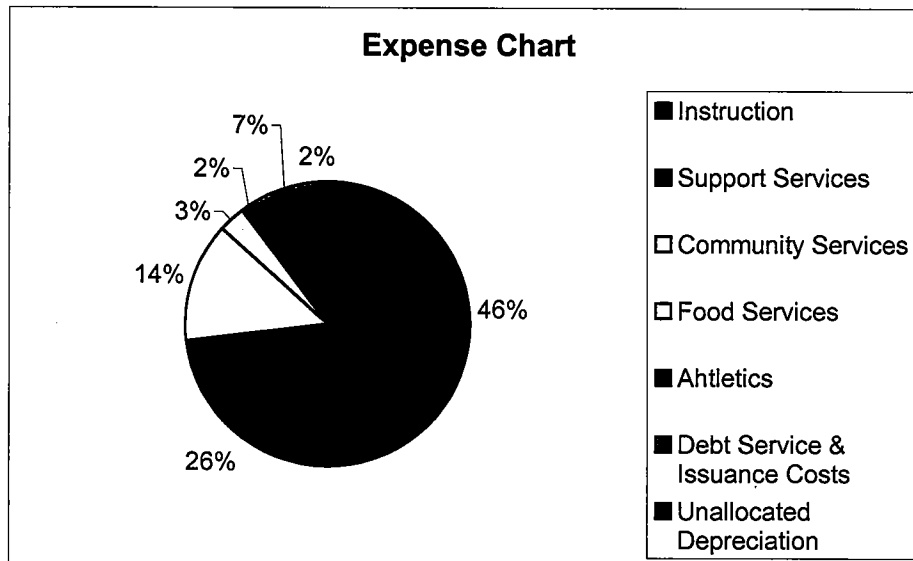
A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student, set annually. The District's foundation allowance is \$7,014 per student for the 2005/2006 fiscal year, which is an increase of \$175/pupil from the 2004/05 school year. The number of students to be funded is calculated by student enrollment blended at 75% of current year's September count and 25% of prior year's February count. Total blended student enrollment for this fiscal year is 2,901.48. The overall funding is then reduced by the District's non-homestead tax levy based on the 17.7714 mills.

Expenses

Expenses include Instruction of \$15,376,241, Support Services of \$8,309,048, Community Services of \$4,409,243, Food Services of \$1,015,983, Athletics of \$611,144, Debt Service Interest of \$2,201,856 and Unallocated Depreciation and Amortization of \$522,075. In the District wide statements Instruction includes instructional support and related fringe benefits whereas these expenses are included in Support Services in the fund level statements for budgeting purposes.

**Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

The following chart illustrates the District's expenses by percentages:



- Expense chart is based on all District Funds combined

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The significant variances that were noted between the final budget and actual amounts were as follows:

	Final Budget	Actual	Variance
Revenues			
Local Sources	3,053,961	3,220,751	166,790
Expenses			
Instruction			
Basic Programs	12,276,070	12,175,433	100,637
Support Services			
Operations/Maintenance	2,579,408	2,528,359	51,049
Pupil Transportation	1,037,216	1,087,875	(50,659)
Outgoing Transfers	1,067,492	1,162,624	(95,132)

Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

These variances may be significant in some instances due to the decrease in expenditures during the second half of the school year. At this time, given the financial conditions of the school district, the district takes a conservative approach with expenditures. Also, some of the Outgoing Transfers are un-known until the District knows exactly what its final expenditures are for Special Education and Transportation for the school year. These factors are known at fiscal year end, thus making it difficult to budget during the school year.

Capital Assets

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital Assets, being depreciated:				
Buildings and improvements	8,204,809	6,957,978	-	15,162,757
Furniture and equipment	1,823,960	-	-	1,823,960
Vehicles	1,126,253	-	-	1,126,253
Total Capital Assets, being depreciated	11,155,022	6,957,978	-	18,113,000
Less Accumulated Depreciation:				
Buildings and improvements	6,330,724	243,620	-	6,574,344
Furniture and equipment	1,342,541	232,958	-	1,575,499
Vehicles	886,759	70,668	-	957,427
Total accumulated depreciation	8,560,024	547,246	-	9,107,270
Total Capital Assets being depreciated, net	2,594,998	6,410,732	-	9,005,930
Assets, not being depreciated				
Construction in progress	20,934,895	18,047,416	6,957,978	32,024,333
Land	200,000			200,000
Capital Assets, net	23,729,893	24,458,148	6,957,978	41,230,063

At June 30, 2006, the District had \$41,230,063 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This is an increase in capital assets of \$17,500,170 from last year and includes the construction in progress and building improvements.

Economic Factors and Next Year's Budgets and Rates

The Orchard View School District Administration considers many factors when setting the District's 2006/07 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2006/07 fiscal year is 25% of the February 2006 and 75% of the September 2006 student count. Approximately 61% of the

**Orchard View School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

General Fund revenue is from the foundation allowance. The 2006/07 fiscal year's foundation allowance for the District is expected to increase by \$210 per FTE, for a total of \$7,224. The 2006/07 original budgets contain the increase in retirement cost of 1.40% increase.

In May 2006, the Orchard View community passed a 20 year - 18 mills Non-Homestead operating tax levy. In prior years, the district was affected by the Headlee Rollback and could only levy 17.7714 for the 2005/06 school years, instead of 18 mills. The difference of approximately \$35,000 was lost due to the Headlee Rollback. This doesn't seem like a substantial amount of money, but this money never returns to the school district and it adds up year after year to be of substantial amounts.

During the 2006/07 school year, the administration will start the negotiation process with both the support staff and the certified staff contracts. The current contracts are in effect until June 30, 2007 when they will expire.

The building project at the new Orchard View High School is now complete with the exception of the auditorium. The auditorium is expected to be complete by the end of October 2006. Renovations to the existing high school to be converted into Cardinal Elementary are now underway. Site work is being done at this time. These building renovations are expected to be complete by January 2007. Orchard View Elementary and Jolman Elementary will merge and move into this building in the fall of 2007.

Long – term Debt

In September of 2003, the District passed a bond to build a new high school and remodel/improve existing buildings. Currently, we are levying 7.000 mills on all properties in Orchard View School District to fund this project.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Office, 35 S. Sheridan Drive, Muskegon, Michigan 49442.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 14, 2006

Board of Education
Orchard View Schools
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orchard View Schools (the School District), as of and for the year ended June 30, 2006, which collectively comprise the Schools District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Orchard View Schools' management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orchard View Schools, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 14, 2006, on our consideration of Orchard View Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BRICKLEY DELONG

Board of Education
September 14, 2005
Page 2

The management's discussion and analysis and budgetary comparison information on pages i - viii and 28 and 29 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Orchard View School's basic financial statements. The combining nonmajor fund financial statements on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Orchard View Schools
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS	Governmental activities
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,747,029
Investments	12,356,172
Receivables	7,893
Due from other governmental units	4,918,577
Inventories	9,529
Prepaid items	<u>7,419</u>
Total current assets	22,046,619
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	32,224,333
Depreciable	9,005,730
Bond issuance cost, net	
Note and interest receivable	213,650
	<u>246,579</u>
Total noncurrent assets	<u>41,690,292</u>
Total assets	63,736,911
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
State aid loan	3,087,357
Accounts payable and accrued liabilities	4,518,597
Accrued interest	449,686
Due to other governmental units	376,194
Deferred revenue	141,273
Bonds and other obligations, due within one year	<u>1,398,869</u>
Total current liabilities	9,971,976
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>46,627,856</u>
Total liabilities	<u>56,599,832</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,811,425
Restricted for:	
Permanent funds	35,390
Unrestricted	<u>4,290,264</u>
Total net assets	<u><u>\$ 7,137,079</u></u>

The accompanying notes are an integral part of this statement.

Orchard View Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

		Program Revenue		Net (Expense)
		Charges for	Operating grants	Revenue and
		services	and contributions	Changes in
	Expenses			Net Assets
<i>Functions/Programs</i>				Governmental
				activities
Governmental activities				
Instruction	\$ 15,376,241	\$ 95,487	\$ 2,831,495	\$ (12,449,259)
Support services	8,309,048	-	642,405	(7,666,643)
Community services	4,409,243	945,618	3,666,941	203,316
Food services	1,015,983	303,180	731,582	18,779
Athletics	611,144	136,590	-	(474,554)
Interest on long-term debt	2,201,856	-	-	(2,201,856)
Unallocated depreciation and amortization	522,075	-	-	(522,075)
Total governmental activities	<u>\$ 32,445,590</u>	<u>\$ 1,480,875</u>	<u>\$ 7,872,423</u>	(23,092,292)
General revenues				
Property taxes, levied for				
General purposes				3,088,524
Debt service				2,029,052
Grants and contributions not restricted to specific programs				16,956,703
Unrestricted investment earnings				1,180,641
Miscellaneous				68,632
Gain on sale of capital assets				9,037
Total general revenues and special items				<u>23,332,589</u>
Change in net assets				240,297
Net assets at July 1, 2005				<u>6,896,782</u>
Net assets at June 30, 2006				<u>\$ 7,137,079</u>

The accompanying notes are an integral part of this statement.

Orchard View Schools
BALANCE SHEET
Governmental Funds
June 30, 2006

	General Fund	2003 Capital Projects	Community Service	Other governmental funds	Total governmental funds
ASSETS					
Cash and cash equivalents	\$ 3,721,634	\$ 43,499	\$ 743,416	\$ 238,481	\$ 4,747,030
Investments	-	12,347,345	-	-	12,347,345
Receivables	-	-	-	7,893	7,893
Due from other governmental units	3,983,725	28,820	796,412	109,621	4,918,578
Due from other funds	85,184	-	141,045	69,675	295,904
Inventories	-	-	-	9,529	9,529
Prepaid items	7,420	-	-	-	7,420
Total assets	<u>\$ 7,797,963</u>	<u>\$ 12,419,664</u>	<u>\$ 1,680,873</u>	<u>\$ 435,199</u>	<u>\$ 22,333,699</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
State aid loan	\$ 3,087,357	\$ -	\$ -	\$ -	\$ 3,087,357
Accounts payable	94,287	2,361,619	70,790	36,749	2,563,445
Accrued liabilities	1,824,636	-	130,518	-	1,955,154
Due to other governmental units	376,194	-	-	-	376,194
Due to other funds	150,758	272	61,152	83,722	295,904
Deferred revenue	-	-	141,273	-	141,273
Total liabilities	<u>5,533,232</u>	<u>2,361,891</u>	<u>403,733</u>	<u>120,471</u>	<u>8,419,327</u>
Fund balances					
Reserved for:					
Inventories	-	-	-	9,529	9,529
Prepaid items	7,420	-	-	-	7,420
Permanent funds	-	-	-	35,390	35,390
Capital projects	-	10,057,773	-	56,968	10,114,741
Debt service	-	-	-	24,305	24,305
Unreserved					
Undesignated					
General Fund	2,257,311	-	-	-	2,257,311
Community service	-	-	1,277,140	-	1,277,140
School service	-	-	-	188,536	188,536
Total fund balances	<u>2,264,731</u>	<u>10,057,773</u>	<u>1,277,140</u>	<u>314,728</u>	<u>13,914,372</u>
Total liabilities and fund balances	<u>\$ 7,797,963</u>	<u>\$ 12,419,664</u>	<u>\$ 1,680,873</u>	<u>\$ 435,199</u>	<u>\$ 22,333,699</u>

The accompanying notes are an integral part of this statement.

Orchard View Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2006

Total fund balance—governmental funds	\$	13,914,372
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 50,337,333	
Accumulated depreciation	<u>(9,107,270)</u>	41,230,063

Bond issuance cost are not capitalized and amortized in the governmental funds

Bond issuance cost	232,042	
Accumulated amortization	<u>(18,392)</u>	213,650

Other long-term note and interest receivable in governmental activities is not reported in the
governmental funds.

255,405

Accrued interest in government activities is not reported in governmental funds.

(449,686)

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Bonds and notes payable	(47,749,818)	
Compensated absences	<u>(276,907)</u>	<u>(48,026,725)</u>

Net assets of governmental activities in the Statement of Net Assets

\$ 7,137,079

The accompanying notes are an integral part of this statement.

Orchard View Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2006

	General Fund	2003 Capital Projects	Community Service	Other governmental funds	Total governmental funds
REVENUES					
Local sources					
Property taxes	\$ 3,088,524	\$ -	\$ -	\$ 2,029,053	\$ 5,117,577
Investment earnings	72,868	1,072,920	16,697	24,703	1,187,188
Fees and charges	-	-	872,401	439,892	1,312,293
Other	59,359	-	82,627	-	141,986
Total local sources	3,220,751	1,072,920	971,725	2,493,648	7,759,044
State sources	17,648,967	-	1,682,512	102,378	19,433,857
Federal revenues	807,069	-	3,553,421	658,530	5,019,020
Total revenues	21,676,787	1,072,920	6,207,658	3,254,556	32,211,921
EXPENDITURES					
Instruction	14,057,097	-	-	-	14,057,097
Support services	7,934,888	-	-	-	7,934,888
Community services	-	-	5,965,860	-	5,965,860
Food services	-	-	-	998,394	998,394
Athletics	-	-	-	595,204	595,204
Debt service					
Principal	-	-	-	1,305,214	1,305,214
Interest and other charges	-	-	-	2,001,156	2,001,156
Advance refunding escrow	-	-	-	161,067	161,067
Bond issuance costs	-	-	-	76,426	76,426
Capital projects	-	18,047,416	-	-	18,047,416
Total expenditures	21,991,985	18,047,416	5,965,860	5,137,461	51,142,722
Excess (deficiency) of revenues over (under) expenditures	(315,198)	(16,974,496)	241,798	(1,882,905)	(18,930,801)
OTHER FINANCING SOURCES (USES)					
Transfers from other governmental units and other transactions	713,762	-	-	-	713,762
Loan proceeds	-	-	-	1,118,729	1,118,729
Proceeds of refunding bonds	-	-	-	6,620,000	6,620,000
Premium on refunding bonds	-	-	-	9,609	9,609
Transfers in	-	-	17,373	771,082	788,455
Transfers out	(788,455)	-	-	-	(788,455)
Payment to refunded bond escrow agent	-	-	-	(6,553,183)	(6,553,183)
Transfers to other governmental units and other transactions	(374,170)	-	-	(17,590)	(391,760)
Total other financing sources (uses)	(448,863)	-	17,373	1,948,647	1,517,157
Net change in fund balances	(764,061)	(16,974,496)	259,171	65,742	(17,413,644)
Fund balances at July 1, 2005	3,028,792	27,032,269	1,017,969	248,986	31,328,016
Fund balances at June 30, 2006	\$ 2,264,731	\$ 10,057,773	\$ 1,277,140	\$ 314,728	\$ 13,914,372

The accompanying notes are an integral part of this statement.

Orchard View Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2006

Net change in fund balance—total governmental funds	\$ (17,413,644)
---	-----------------

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.

Depreciation expense	\$ (547,246)	
Capital outlay	<u>18,047,416</u>	17,500,170

Debt proceeds are other financing sources in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.	(7,520,153)
--	-------------

Interest income on long-term notes receivable is recorded in the Statement of Activities when earned, but is not reported in governmental funds until received.	8,827
--	-------

Amortization of bond issuance costs is not an expense in the governmental funds, while than amortization does reduce non-current assets in the Statement of Net Assets.	(8,018)
--	---------

Collection of principal on long-term notes receivable is a revenue in the governmental funds, while the repayment reduces non-current assets in the Statement of Activities.	(20,214)
---	----------

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	7,689,113
--	-----------

Bond refinancing costs are an expenditure in the governmental funds, but the payments reduce long-term liabilities in the Statement of Net Assets.	76,426
---	--------

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	(30,503)
---	----------

Compensated absences are reported on the accrual basis of method in the Statement of Activities and reported as expenditures when the financial resources are used in the governmental funds.	<u>(41,707)</u>
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Change in net assets of governmental activities	<u><u>\$ 240,297</u></u>
---	--------------------------

The accompanying notes are an integral part of this statement.

Orchard View Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2006

		<u>Agency Funds</u>	
	<u>Combined</u>	<u>Student activities</u>	<u>Other organizations</u>
ASSETS			
Cash	\$ <u>672,895</u>	\$ <u>188,998</u>	\$ <u>483,897</u>
	\$ <u><u>672,895</u></u>	\$ <u><u>188,998</u></u>	\$ <u><u>483,897</u></u>
 LIABILITIES			
Accounts payable	\$ 14,314	\$ -	\$ 14,314
Deposits held for others	<u>658,581</u>	<u>188,998</u>	<u>469,583</u>
	\$ <u><u>672,895</u></u>	\$ <u><u>188,998</u></u>	\$ <u><u>483,897</u></u>

The accompanying notes are an integral part of this statement.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Orchard View Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District’s expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District’s primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *2003 Capital Projects Fund* accounts for expenditures related to the construction of major capital projects.
- The *Community Service Fund* accounts for expenditures related to community schools services activities.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service and athletic activities in the school service special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30, 2006 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and Debt Retirement Fund is generally allocated to each fund using a weighted average of balances for the principal.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Deposit and Investments—Continued

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	17.7714
Debt service fund - Homestead and non-homestead	7.0

Inventories

Food service inventory is valued at the lower of cost (first-in, first-out) or market. The inventory is expendable supplies held for consumption and is recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000, except for technology of \$1,000 or more and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000, except for technology of \$1,000 or more as composite groups for financial reporting purposes. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	50 years
Buses and other vehicles	15 years
Furniture and other equipment	5-20 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Early Retirement Incentives

For district-wide financial statements, the liability for early retirement incentives is reported when legally enforceable. For fund financial statements, the liability for early retirement incentives is reported either 1) on the due date when there is a specified due date or 2) on the retirement date if it is before year end, when there is not specified legally enforceable due date.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as unearned revenue.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental statement of net assets. Bond premiums and discounts, as well as bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual budgets lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance

The capital projects fund includes funds set aside for future capital projects. For these capital projects, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

School Bond Construction Compliance

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351(a) of the State of Michigan's School Code.

Following is a summary of the revenue and expenditures in 2003 Capital Projects Fund from the inception of the funds through June 30, 2006.

	<u>2003 Building Capital Projects Fund</u>
Revenue and bond proceeds	\$ 48,180,062
Expenditures	38,982,311

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2006, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
U.S. Agency Notes and Bonds - rated	\$ 2,211,178	62	AAA	18.0%
U.S. Agency Notes and Bonds - not rated	1,537,667	61	NR	12.0%
Fifth Third Institutional Government Preferred fund - not rated	<u>8,598,500</u>	1	NR	<u>70.0%</u>
Total fair value	<u>\$ 12,347,345</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>19</u>		

Interest rate risk. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. The School District does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2006, \$4,547,029 of the School District's bank balance of \$4,747,029 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Custodial credit risk - investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, brokers, dealers, intermediaries and advisors with which the School District will do business.

Concentration of credit risk. The School District places no limit on the amount the District may invest with any one issuer. More than 5 percent of the School District's investments are in Fifth Third Institutional Government Preferred fund.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS

Capitol asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Construction in progress	<u>20,934,895</u>	<u>18,047,416</u>	<u>6,957,978</u>	<u>32,024,333</u>
Total capital assets, not being depreciated	21,134,895	18,047,416	6,957,978	32,224,333
Capital assets, being depreciated:				
Buildings and improvements	8,204,809	6,957,978	-	15,162,787
Furniture and equipment	1,823,960	-	-	1,823,960
Vehicles	<u>1,126,253</u>	<u>-</u>	<u>-</u>	<u>1,126,253</u>
Total Capital Assets, being depreciated	11,155,022	6,957,978	-	18,113,000
Less accumulated depreciation:				
Buildings and improvements	6,330,724	243,620	-	6,574,344
Furniture and equipment	1,342,541	232,958	-	1,575,499
Vehicles	<u>886,759</u>	<u>70,668</u>	<u>-</u>	<u>957,427</u>
Total accumulated depreciation	<u>8,560,024</u>	<u>547,246</u>	<u>-</u>	<u>9,107,270</u>
Total capital assets, being depreciated, net	<u>2,594,998</u>	<u>6,410,732</u>	<u>-</u>	<u>9,005,730</u>
Capital assets, net	<u><u>\$ 23,729,893</u></u>	<u><u>\$ 24,458,148</u></u>	<u><u>\$ 6,957,978</u></u>	<u><u>\$ 41,230,063</u></u>

Depreciation

Depreciation expense has been charged to functions as follows:

Community services	\$ 17,249
Athletics	15,940
Unallocated depreciation	<u>514,057</u>
	<u><u>\$ 547,246</u></u>

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2006 was as follows:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
Bond issuance costs:				
2003	\$ 155,616	\$ -	\$ -	\$ 155,616
2006	<u>-</u>	<u>76,426</u>	<u>-</u>	<u>76,426</u>
	155,616	76,426	-	232,042
 Less accumulated amortization				
2003	10,374	5,187	-	15,561
2006	<u>-</u>	<u>2,831</u>	<u>-</u>	<u>2,831</u>
	10,374	8,018	-	18,392
 Bond issuance costs, net	<u>\$ 145,242</u>	<u>\$ 68,408</u>	<u>\$ -</u>	<u>\$ 213,650</u>

Amortization has been charged as unallocated amortization.

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Athletics	\$ 16,181
General	Community Ed	24,723
General	Debt Retirement	44,008
General	Building & Site	272
Community Ed	General	117,512
Community Ed	Food Service	23,533
Food Service	General	12,707
Building and Site	Community Ed	36,429
Building and Site	General	<u>20,539</u>
		<u>\$ 295,904</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$495,357 to the Athletics Fund to finance operations and \$275,725 to the Debt Service Fund to finance debt service payments.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE G—SHORT-TERM DEBT

The School District issues State of Michigan Municipal Bond Authority notes payable to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2006 follows:

	<u>Balance</u> <u>July 1, 2005</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>June 30, 2006</u>
Note payable to bank	\$ 12,331	\$	-	\$	12,331	\$	-
Michigan Municipal Bond Authority note payable at 2%; paid August 2005	3,046,969		-		3,046,969		-
Michigan Municipal Bond Authority note payable at 2.92%; due August 2006	<u>-</u>		<u>3,087,357</u>		<u>-</u>		<u>3,087,357</u>
	<u>\$ 3,059,300</u>	\$	<u>3,087,357</u>	\$	<u>3,059,300</u>	\$	<u>3,087,357</u>

NOTE H—BOND PREMIUM

	<u>July 1, 2005</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2006</u>
2003 Bond premium	\$ 665,631	\$	-	\$	-	\$	665,631
Less accumulated amortization	<u>36,980</u>		<u>22,188</u>		<u>-</u>		<u>59,168</u>
Bond premium, net	<u>\$ 628,651</u>	\$	<u>(22,188)</u>	\$	<u>-</u>	\$	<u>606,463</u>

Amortization

Amortization expense has been charged as unallocated amortization.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include capital leases, compensated absences, termination benefits, School Bond Loan Fund, Energy Installment Purchase, and Land Contract.

Summary of Long-term Obligations

On April 12, 2006, the School District issued \$6.62 million in General Obligation Bonds with interest at 4.5 percent to partially advance refund \$6.325 million of outstanding 2003 School Building and Site Bonds with interest rates from 5 percent to 5.125 percent. The net proceeds of approximately \$6.553 million (after payment of \$76 thousand in underwriting fees, insurance and other issuance costs) including \$161 thousand of 2003 Debt Retirement fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for principle redemption and interest of 2003 School Building and Site Bonds which are scheduled for maturity May 1, 2007 and beyond. As a result, the 2003 School Building and Site Bonds are considered to be partially defeased and the liability for those bonds has been removed from long-term obligations.

The School District advance refunded the 2003 School Building and Site Bonds to reduce its total debt service payment over the next 25 years by over \$510 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of over \$349 thousand.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Governmental activities:					
Bonds	\$ 45,516,793	\$ 6,620,000	\$ 7,395,214	\$ 44,741,579	\$ 1,345,000
Plus bond issuance premium	628,651	-	22,188	606,463	-
Less deferred amount on refunding	-	(228,183)	(9,612)	(218,571)	-
	<u>46,145,444</u>	<u>6,391,817</u>	<u>7,407,790</u>	<u>45,129,471</u>	<u>1,345,000</u>
Other obligations	<u>2,030,718</u>	<u>1,160,436</u>	<u>293,900</u>	<u>2,897,254</u>	<u>53,869</u>
	<u>\$ 48,176,162</u>	<u>\$ 7,552,253</u>	<u>\$ 7,701,690</u>	<u>\$ 48,026,725</u>	<u>\$ 1,398,869</u>

The additions for other obligations include \$1,118,729 of new draws on the School Bond Loan Fund and \$41,707 of additions to compensated absences.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

General obligation bonds consist of the following:

Durant bond obligation, payable in annual installments of up to \$98,662, plus interest at 4.76%. The School District is only obligated to make the annual principal and interest installments to the extent of annual State of Michigan state school aid appropriations for such installments. \$ 246,579

2003 School Building and Site General Obligation Bond payable in annual installments ranging from \$975,000 to \$1,825,000 due May 2007 to May 2030; plus interest ranging from 2.0% to 5.25% 37,875,000

Plus issuance premium 606,463

2006 School Building and Site General Obligation Bond payable in annual installments ranging from \$25,000 to \$1,850,000 due May 2021 to May 2033; plus interest at 4.5% 6,620,000
Less deferred amount on refunding (218,571)

Total bonded debt 45,129,471

Other obligations

School Bond Loan Fund payable as soon as annual debt collections exceed annual debt service payment requirements; interest payable of \$10,325 is included at 5%. 1,781,811

Energy installment purchase obligation, payable in annual installments approximating \$275,000 including interest at 4.70%, with final payment in November 2008 749,000

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

Other obligations—Continued

Capital lease obligation payable in quarterly installments of \$4,377 including interest at 9.3% through September 2006	\$ 4,277
Equipment purchase obligation payable in annual installments of \$28,420 plus interest at 2.85%, with final payment February 2009	85,260
Compensated absences and termination benefits	<u>276,907</u>
Total other obligations	<u>2,897,254</u>
	<u><u>\$ 48,026,726</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Nets Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

The annual requirements of principal and interest to amortize bonded debt, installment purchases and capital leases outstanding as of June 30, 2006 follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 1,398,869	\$ 2,093,962	\$ 3,492,831
2008	1,450,605	2,049,409	3,500,014
2009	1,581,080	2,034,587	3,615,667
2010	1,274,347	1,940,317	3,214,664
2011	1,325,506	1,883,845	3,209,351
2012-2016	7,454,710	8,502,783	15,957,493
2017-2021	8,900,000	6,466,000	15,366,000
2022-2026	9,255,000	4,191,952	13,446,952
2027-2030	9,270,000	1,926,300	11,196,300
2031-2033	<u>3,670,000</u>	<u>164,925</u>	<u>3,834,925</u>
	<u><u>\$ 45,580,117</u></u>	<u><u>\$ 31,254,080</u></u>	<u><u>\$ 76,834,197</u></u>

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE J—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 16.34 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPERS Board of Trustees. The School District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were approximately \$2,533,000, \$2,227,000, and \$1,961,000, respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE K—COMMITMENTS AND CONTINGENCIES

Commitments

- **Construction Commitments** – The School District had an active construction project at year end. At June 30, 2006, the School District's commitments with contractors are as follows:

	<u>Spent to date</u>	<u>Remaining commitment</u>
2003 Bond Issue	\$38,982,311	\$8,217,689

- **Building Leases** – The School District leases a school building from an individual for \$2,553 a month through October 1, 2007 and with a renewal option of one year upon expiration of the two-year agreement. The School District also leases a building from DAGRE Enterprises, Inc. with monthly rentals of \$4,333 through June 2009. The lease also provides for a five-year renewal with monthly rentals of \$4,333.
- **Operating Leases** – The School District is involved in several lease agreements expiring at various dates through August 2009. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment and transportation equipment.

<u>Year ending June 30,</u>	<u>Amount</u>
2007	336,657
2008	268,428
2009	99,774
2010	<u>10,294</u>
	\$ <u><u>715,153</u></u>

Contingencies

- **Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **Federal Programs** – The School District participates in federally-assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Orchard View Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE L—OTHER INFORMATION

Economic dependence—Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 79 percent of General Fund revenues.

Risk management —The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

NOTE M—SUBSEQUENT EVENT

On August 18, 2006, the School District received the proceeds of a \$2,860,000 Michigan Municipal Bond Authority note payable. The note payable is not subject to redemption prior to its maturity on August 20, 2007 and bears interest at the rate of 3.68 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Orchard View Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund
Year ended June 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 2,964,081	\$ 3,053,961	\$ 3,220,751	\$ 166,790
State sources	17,345,593	17,691,271	17,648,967	(42,304)
Federal sources	849,457	841,149	807,069	(34,080)
Incoming transfers and other transactions	<u>673,000</u>	<u>669,000</u>	<u>713,762</u>	<u>44,762</u>
Total revenues	21,832,131	22,255,381	22,390,549	135,168
EXPENDITURES				
Instruction				
Basic programs	12,054,760	12,276,070	12,175,433	100,637
Added needs	2,161,664	1,890,572	1,881,664	8,908
Support services				
Pupil	952,951	961,240	999,748	(38,508)
Instructional staff	569,817	608,328	558,553	49,775
General administration	504,821	488,272	522,123	(33,851)
School administration	1,380,492	1,391,426	1,391,552	(126)
Business	345,731	342,790	355,417	(12,627)
Operation and maintenance	2,353,247	2,579,408	2,528,359	51,049
Pupil transportation services	1,043,616	1,037,216	1,087,875	(50,659)
Central	387,708	413,171	399,407	13,764
Other	153,595	125,600	91,855	33,745
Outgoing transfers and other transactions	<u>1,045,441</u>	<u>1,067,492</u>	<u>1,162,624</u>	<u>(95,132)</u>
Total expenditures	<u>22,953,843</u>	<u>23,181,585</u>	<u>23,154,610</u>	<u>26,975</u>
Excess (deficiency) or revenues over (under) expenditures	\$ <u>(1,121,712)</u>	\$ <u>(926,204)</u>	(764,061)	\$ <u>162,143</u>
Fund balances at July 1, 2005			<u>3,028,792</u>	
Fund balances at June 30, 2006			<u>\$ 2,264,731</u>	

Orchard View Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Community Services Fund
Year ended June 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 970,638	\$ 966,364	\$ 971,725	\$ 5,361
State sources	1,353,078	2,036,666	1,682,512	(354,154)
Federal sources	2,921,200	3,430,245	3,553,421	123,176
Incoming transfers and other transactions	225,000	200,000	17,373	(182,627)
Total revenues	5,469,916	6,633,275	6,225,031	(408,244)
EXPENDITURES				
Instruction				
Basic programs	309,351	380,666	391,493	(10,827)
Pre-School	210,140	234,355	235,522	(1,167)
Adult and continuing education	767,272	1,342,514	1,037,419	305,095
Support services				
Pupil	22,322	21,940	22,188	(248)
Instructional staff	147,440	198,113	188,543	9,570
General administration	10,987	20,700	1,401	19,299
School administration	109,101	102,396	101,581	815
Business	2,917	1,908	1,908	-
Operations and maintenance	290,764	275,232	267,584	7,648
Pupil transportation services	8,869	27,221	26,038	1,183
Central	5,000	5,000	5,000	-
Other	10,000	2,000	-	2,000
Community services	3,575,753	4,021,230	3,687,183	334,047
Total expenditures	5,469,916	6,633,275	5,965,860	667,415
Excess (deficiency) or revenues over (under) expenditures	\$ -	\$ -	259,171	\$ 259,171
Fund balances at July 1, 2005			1,017,969	
Fund balances at June 30, 2006			\$ 1,277,140	

OTHER SUPPLEMENTARY INFORMATION

Orchard View Schools
COMBINING BALANCE SHEET

Other Governmental Funds
June 30, 2006

	Total other governmental funds	School Services		Debt Services		Capital Projects	Non-expendable
		Food Service	Athletic	2003 Debt Service	Debt Service	Building and site	Trust Fund
ASSETS							
Cash and cash equivalents	\$ 238,481	\$ 132,643	\$ 16,604	\$ 61,737	\$ -	\$ -	\$ 27,497
Receivables	7,893	-	-	-	-	-	7,893
Due from other governmental units	109,621	103,045	-	6,576	-	-	-
Due from other funds	69,675	12,707	-	-	-	56,968	-
Inventories	9,529	9,529	-	-	-	-	-
Total assets	<u>\$ 435,199</u>	<u>\$ 257,924</u>	<u>\$ 16,604</u>	<u>\$ 68,313</u>	<u>\$ -</u>	<u>\$ 56,968</u>	<u>\$ 35,390</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts payable	\$ 36,749	\$ 36,559	\$ 190	\$ -	\$ -	\$ -	\$ -
Due to other funds	83,722	23,533	16,181	44,008	-	-	-
Total liabilities	<u>120,471</u>	<u>60,092</u>	<u>16,371</u>	<u>44,008</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits)							
Reserved for:							
Inventories	9,529	9,529	-	-	-	-	-
Permanent funds	35,390	-	-	-	-	-	35,390
Unreserved							
Undesignated	269,809	188,303	233	24,305	-	56,968	-
Total fund balances	<u>314,728</u>	<u>197,832</u>	<u>233</u>	<u>24,305</u>	<u>-</u>	<u>56,968</u>	<u>35,390</u>
Total liabilities and fund balances	<u>\$ 435,199</u>	<u>\$ 257,924</u>	<u>\$ 16,604</u>	<u>\$ 68,313</u>	<u>\$ -</u>	<u>\$ 56,968</u>	<u>\$ 35,390</u>

Orchard View Schools
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS)**
Other Governmental Funds
For the year ended June 30, 2006

	Total other governmental funds	School Services		Debt Services		Capital Projects Building and site	Non-expendable Trust Fund
		Food Service	Athletic	2003 Debt Service	Debt Service		
REVENUES							
Local sources							
Property taxes	\$ 2,029,053	\$ -	\$ -	\$ 2,029,053	\$ -	\$ -	\$ -
Investment earnings	24,703	6,929	-	17,509	-	-	265
Fees and charges	439,892	303,178	136,589	-	-	-	125
Total local sources	2,493,648	310,107	136,589	2,046,562	-	-	390
State sources	102,378	73,052	-	-	29,326	-	-
Federal sources	658,530	658,530	-	-	-	-	-
Total revenues	3,254,556	1,041,689	136,589	2,046,562	29,326	-	390
EXPENDITURES							
Food services	998,394	998,394	-	-	-	-	-
Athletics	595,204	-	595,204	-	-	-	-
Debt service							
Principal	1,305,214	-	-	1,050,000	255,214	-	-
Interest and other charges	2,001,156	-	-	1,951,319	49,837	-	-
Advance refunding escrow	161,067	-	-	161,067	-	-	-
Bond refunding costs	76,426	-	-	76,426	-	-	-
Total expenditures	5,137,461	998,394	595,204	3,238,812	305,051	-	-
Excess (deficiencies) revenues over (under) expenditures	(1,882,905)	43,295	(458,615)	(1,192,250)	(275,725)	-	390
OTHER FINANCING SOURCES (USES)							
Loan proceeds	1,118,729	-	-	1,118,729	-	-	-
Proceeds of refunding bonds	6,620,000	-	-	6,620,000	-	-	-
Premium on refunding bonds	9,609	-	-	9,609	-	-	-
Transfers in	771,082	-	495,357	-	275,725	-	-
Payment to refunded bond escrow agent	(6,553,183)	-	-	(6,553,183)	-	-	-
Transfers to other governmental units and other transactions	(17,590)	(17,590)	-	-	-	-	-
Total other financing sources	1,948,647	(17,590)	495,357	1,195,155	275,725	-	-
Net change in fund balances	65,742	25,705	36,742	2,905	-	-	390
Fund balances at July 1, 2005	248,986	172,127	(36,509)	21,400	-	56,968	35,000
Fund balances (deficit) at June 30, 2006	\$ 314,728	\$ 197,832	\$ 233	\$ 24,305	\$ -	\$ 56,968	\$ 35,390

Orchard View Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2006

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 14, 2006

Board of Directors
Orchard View Schools
Muskegon, Michigan

We have audited the financial statements of Orchard View Schools as of and for the year ended June 30, 2006 and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

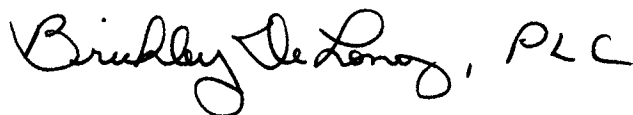
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orchard View Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Orchard View Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 14, 2006

Board of Directors
Orchard View Schools
Muskegon, Michigan

Compliance

We have audited the compliance of Orchard View Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Orchard View Schools' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Orchard View Schools' management. Our responsibility is to express an opinion on Orchard View Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Orchard View Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Orchard View Schools' compliance with those requirements.

In our opinion, Orchard View Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Orchard View Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Orchard View Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Directors
September 14, 2006
Page 2

Internal Control Over Compliance—Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Orchard View Schools as of and for the year ended June 30, 2006 and have issued our report thereon dated September 14, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLLC

Orchard View Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued	Cash or	Expenditures			Accrued
			(deferred) revenue July 1, 2005	payments in kind received (cash basis)	Prior year	Current year	Total	(deferred) revenue June 30, 2006
<i>U.S. Department of Education</i>								
Programs passed through Michigan								
Department of Education:								
Adult Basic Education	84.002							
041120-5500654		\$ 9,000	\$ (2,640)	\$ -	\$ 6,360	\$ 2,640	\$ 9,000	\$ -
051120-6500655		10,300	-	10,300	-	10,300	10,300	-
061120-6500655		8,600	-	7,295	-	6,446	6,446	(849)
		27,900	(2,640)	17,595	6,360	19,386	25,746	(849)
Title I	84.010							
051530-0506		472,058	(35,927)	-	436,131	35,927	472,058	-
061530-0506		435,463	-	435,463		435,463	435,463	-
Total		907,521	(35,927)	435,463	436,131	471,390	907,521	-
Even Start	84.213							
060390-C0616CES		225,000	-	199,799	-	225,000	225,000	25,201
		225,000	-	199,799	-	225,000	225,000	25,201
Title V	84.298							
060250-0506		6,762	-	6,762	-	6,762	6,762	-
		6,762	-	6,762	-	6,762	6,762	-
Hurricane Katrina Relief	84.938C							
64120		102	-	-	-	102	102	102
Technology Literacy	84.318							
054290-0405		12,753	(309)	(309)	11,688	-	11,688	-
064290-0506		8,124	-	7,197	-	8,124	8,124	927
		20,877	(309)	6,888	11,688	8,124	19,812	927
Improving Teacher Quality	84.367							
050520-0405		141,779	(6,056)	(4,121)	139,844	1,935	141,779	-
050520-0506		19,067	-	19,067	-	19,067	19,067	-
060520-0506		100,510	-	100,510	-	100,510	100,510	-
		261,356	(6,056)	115,456	139,844	121,512	261,356	-
Total passed through Michigan Department of Education		1,449,518	(44,932)	781,963	594,023	852,276	1,446,299	25,381

Orchard View Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2005	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2006
					Prior year	Current year	Total	
<i>U.S. Department of Education—Continued</i>								
Programs passed through Muskegon Area								
Intermediate School District:								
Federal Adult Education ABE Instruction								
051130-510585	84.002	\$ 26,405	\$ 26,405	\$ 26,405	\$ 26,405	\$ -	\$ 26,405	\$ -
610586		23,000	-	-	-	23,000	23,000	23,000
061130-610586		105,914	-	82,914	-	48,785	48,785	(34,129)
		155,319	26,405	109,319	26,405	71,785	98,190	(11,129)
IDEA								
060450-0506	84.027	9,747	-	9,747	-	9,747	9,747	-
Drug free schools	84.186							
062860-0506		14,724	-	14,724		14,724	14,724	-
Total passed through Muskegon Area								
Intermediate School District		179,790	26,405	133,790	26,405	96,256	122,661	(11,129)
Total U.S. Department of Education		1,629,308	(18,527)	915,753	620,428	948,532	1,568,960	14,252
<i>U.S. Department of Agriculture</i>								
Programs passed through Michigan Department of Education:								
National School Lunch and Breakfast	10.550							
Entitlement commodities		42,326	-	42,326	-	42,326	42,326	-
Bonus commodities		8,131	-	8,131	-	8,131	8,131	-
		50,457	-	50,457	-	50,457	50,457	-
Nutrition Cluster	10.553							
051970 Breakfast		11,256	-	11,256	-	11,256	11,256	-
061970 Breakfast		90,589	-	73,206	-	90,589	90,589	17,383
		101,845	-	84,462	-	101,845	101,845	17,383
051950 All lunches		9,517	-	9,517	-	9,517	9,517	-
051960 free and reduced		56,449	-	56,449	-	56,449	56,449	-
061950 All lunches		64,624	-	53,528	-	64,624	64,624	11,096
061960 Free and reduced		375,184	-	308,173	-	375,184	375,184	67,011
061980 Snack		454	-	454	-	454	454	-
		506,228	-	428,121	-	506,228	506,228	78,107
Total nutrition cluster		608,073	-	512,583	-	608,073	608,073	95,490
051920 Child Care Food Program		12,822	-	12,822	-	12,822	12,822	-
Total U.S. Department of Agriculture		671,352	-	575,862	-	671,352	671,352	95,490

Orchard View Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued	Cash or	Expenditures			Accrued
			(deferred) revenue July 1, 2005	payments in kind received (cash basis)	Prior year	(accrual basis) Current year	Total	(deferred) revenue June 30, 2006
<i>U.S. Department of Health and Human Services</i>								
Programs passed through Muskegon Area								
Intermediate School District:								
Medical Assistance Program XIX	93.778							
393		\$ 1,319	\$ -	\$ 1,319	\$ -	\$ 1,319	\$ 1,319	\$ -
Head start program	93.600							
05CH8258/04		787,654	11,553	423,965	375,242	412,412	787,654	-
		417,932	-	356,654	-	417,932	417,932	61,278
		1,205,586	11,553	780,619	375,242	830,344	1,205,586	61,278
Total U.S. Department of Health and Human Services		1,206,905	11,553	781,938	375,242	831,663	1,206,905	61,278
<i>U.S. Department of Labor</i>								
Programs passed through County of								
Muskegon:								
Workforce Investment Act	17.258							
409595/WIA-02/03		1,124,505	-	355,336	337,911	786,594	1,124,505	431,258
		1,124,505	-	355,336	337,911	786,594	1,124,505	431,258
Welfare to Work	17.253							
409595/WR-03		61,071	-	59,307	1,764	59,307	61,071	-
409595/WR-05		1,671,902	-	915,659	756,243	915,659	1,671,902	-
409595/WR-06		647,413	-	647,413	-	647,413	647,413	-
		2,380,386	-	1,622,379	758,007	1,622,379	2,380,386	-
Total U.S. Department of Labor		3,504,891	-	1,977,715	1,095,918	2,408,973	3,504,891	431,258
<i>U.S. Department of Home Land Security</i>								
Programs passed through Michigan								
State Police								
School Initiative Exercise Grant	97.004	11,225	818	2,029	8,426	1,912	10,338	701
<i>Federal Communications Commission</i>								
Passed through the Universal Services								
Administration Company								
1996 Telecommunications Act Snow								
Rockefeller Amendment	32	27,189	-	27,189	-	27,189	27,189	-
TOTAL FEDERAL ASSISTANCE		\$ 7,050,870	\$ (6,156)	\$ 4,280,486	\$ 2,100,014	\$ 4,889,621	\$ 6,989,635	\$ 602,979

Orchard View Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

1. Please see the financial statements footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grant Section Auditors Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single a report schedule of federal awards.

Revenues from federal sources per June 30, 2006
financial statements

General Fund	\$	807,069	
Other governmental funds (including Food Service Fund)		658,530	
Community Service Fund		<u>3,553,421</u>	\$ 5,019,020

Difference of Child Care Food Program federal revenues included in local revenues in the financial statements	(4,498)
--	---------

Plus Adult Education Program federal revenues included in state revenues in the financial statements	19,386
---	--------

Less state grants for Medicaid included in federal revenues in the financial statements	<u>(144,287)</u>
--	------------------

Expenditures per single audit report Schedule of Federal Financial Assistance	\$ <u><u>4,889,621</u></u>
--	----------------------------

Orchard View Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Orchard View Schools.
2. *No* reportable conditions in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of Orchard View Schools were disclosed during the audit.
4. *No* reportable conditions in internal control were disclosed by the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Orchard View Schools expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Labor</i>	
Welfare to Work	17.253
Workforce Investment Act	17.258

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Orchard View Schools was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CLIENT DOCUMENTS

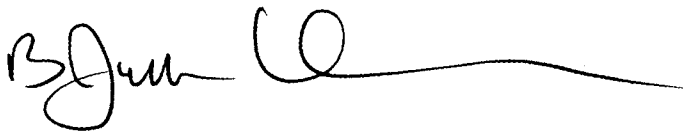
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 14, 2006

Michigan Department of Education
Lansing, Michigan

Orchard View Schools respectfully advises you that there were *no* audit findings or questioned costs reported in our single audit report, dated September 14, 2005, for the year ended June 30, 2005.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Jack VanderWall", followed by a long, horizontal, wavy line that extends to the right.

B. Jack VanderWall
Superintendent

CORRECTIVE ACTION PLAN

September 14, 2006

Michigan Department of Education
Lansing, Michigan

Orchard View Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2006.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2006

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2006 provided *no* findings in either Section B or Section C. Accordingly, there are *no* matters requiring corrective action as shown below.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

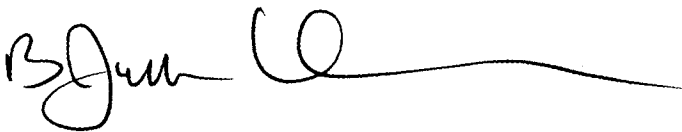
There were *no* compliance findings and *no* reportable conditions.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

There were *no* compliance findings and *no* reportable conditions in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call B. Jack VanderWall at (231) 760-1309.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Jack VanderWall', followed by a long horizontal flourish.

B. Jack VanderWall
Superintendent

FORM **SF-SAC**
(5-2004)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN
TO****Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132****PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**Month Day Year
06 / 30 / 2006Fiscal Period End Dates Must
Be In 2004, 2005, or 2006**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other — Months**4. FEDERAL
GOVERNMENT
USE ONLY**Date received by
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)****3 8 - 6 0 0 2 9 4 9****b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number****0 6 - 0 1 7 - 6 1 9 5****e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☒ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.****6. AUDITEE INFORMATION****a. Auditee name****ORCHARD VIEW SCHOOLS****b. Auditee address (Number and street)****35 S. SHERIDAN DRIVE**

City

MUSKEGON

State

ZIP + 4 Code

MI**4 9 4 4 2 -****c. Auditee contact
Name****B. JACK VANDER WALL**

Title

SUPERINTENDENT**d. Auditee contact telephone****(231) 760 - 1300****e. Auditee contact FAX****() -****f. Auditee contact E-mail****g. AUDITEE CERTIFICATION STATEMENT** - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.Signature of certifying official Date
Month Day Year
9 / 14 / 06

Printed Name of certifying official

JACK VANDER WALL

Printed Title of certifying official

SUPERINTENDENT**7. AUDITOR INFORMATION (To be completed by auditor)****a. Auditor name****BRICKLEY DELONG, P.L.C.****b. Auditor address (Number and street)****316 MORRIS AVE, 500 TERRACE PLAZA**

City

MUSKEGON

State

ZIP + 4 Code

MI**4 9 4 4 0 -****c. Auditor contact
Name****TIMOTHY D. ARTER**

Title

PARTNER**d. Auditor contact telephone****(231) 726 - 5800****e. Auditor contact FAX****(231) 722 - 0260****f. Auditor contact E-mail****g. AUDITOR STATEMENT** - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date
Month Day Year
9 / 14 / 06**Timothy D. Arter, CPA**
for Brickley DeLong, P.L.C.

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**Mark either: 1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☐ Yes 2 ☒ No – SKIP to Item 5**4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☒ Yes 2 ☐ No**4. Is a reportable condition disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No – SKIP to Item 6**5. Is any reportable condition reported as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation82 ☐ United States Information Agency12 ☐ Defense15 ☐ Interior07 ☐ Office of National Drug Control Policy64 ☐ Veterans Affairs84 ☐ Education16 ☐ Justice09 ☐ Legal Services Corporation00 ☒ None81 ☐ Energy17 ☐ Labor59 ☐ Small Business Administration☐ Other – Specify:66 ☐ Environmental Protection Agency

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages

1

PART III**FEDERAL PROGRAMS - Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number			Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program		10. AUDIT FINDINGS	
Federal Agency Prefix ¹ (a)	Extension ² (b)	Major program (g)					If yes, type of audit report ³ (h)	Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)	
8	4	.002	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ADULT BASIC EDUCATION	\$ 91,171 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 471,390 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.213	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EVEN START	\$ 225,000 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 6,762 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TECHNOLOGY LITERACY	\$ 8,124 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IMPROVING TEACHER QUALITY	\$ 121,512 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA	\$ 9,747 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	.186	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	DRUG FREE SCHOOLS	\$ 14,724 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	0	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH AND BREAKFAST	\$ 50,457 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	0	.553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NUTRITION CLUSTER	\$ 620,895 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
TOTAL FEDERAL AWARDS EXPENDED					\$ 4,889,621 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis - Bacon Act
 N/A for NONE

E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of Federal funds

I. Procurement and suspension and debarment
 J. Program income
 K. Real property acquisition and relocation assistance

L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None
 P. Other

PART III**FEDERAL PROGRAMS - Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number			Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program		Type(s) of compliance requirement(s) (a)	Audit finding reference number(s) (b)
Federal Agency Prefix (a)	Extension (b)	Major program (g)					If yes, type of audit report (h)			
9	3	778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAL ASSISTANCE PROGRAM XIX	\$ 1,319.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3	600	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HEAD START	\$ 830,344.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	7	258	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WORKFIRST INVESTMENT ACT	\$ 786,594.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
1	7	253	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WELFARE TO WORK	\$ 1,622,379.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
9	7	004	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SCHOOL INITIATIVE GRANT	\$ 1,912.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
3	2	.	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1996 TELECOMMUNICATIONS ACT, ROCKEFELLER AMENDMENT	\$ 27,189.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8	4	938C	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HURICANE KATRINA RELIEF	\$ 102.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
TOTAL FEDERAL AWARDS EXPENDED					\$ 4,889,621.00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- ⁵ N/A for NONE
- | | | | |
|------------------------------------|--|--|---------------------------------|
| A. Activities allowed or unallowed | E. Eligibility | I. Procurement and suspension and debarment | L. Reporting |
| B. Allowable costs/cost principles | F. Equipment and real property management | J. Program income | M. Subrecipient monitoring |
| C. Cash management | G. Matching, level of effort, earmarking | K. Real property acquisition and relocation assistance | N. Special tests and provisions |
| D. Davis - Bacon Act | H. Period of availability of Federal funds | | O. None |
| | | | P. Other |

Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

[illegible]

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.